Sectt. II-27—53,004—27-10-47.

Govt of Madras

Dev **(1948) Department.**

SERIES.

G.O. NO. 328

Dated 24.1.1949

[Despatch Abstract.]

Acts and Rules – State Aid to industries Act – Application from Messrs. The Karnataka Vegetable oils and Refineries Ltd., Hospet – for a loan of Rs. 6,00,000/- – Rejected

No.S.A.7576/48 dated 17-1-49 Industries and Commerce Department.

From
The Director of Industries
and Commerce,
Chepauk, Madras.

To
The Secretary to Government,
Development Department,
Madras.

R 6849 21-1-49

Sir,

Sub: State Aid to Industries- Application from Messrs the Karnataka Vegetable Oils and Refineries Ltd, Hospet for a loan of Rs.6,00,000/-

....

Sri J. Channabasappa, Partner and Managing Agents of Messrs Ullagaddi & Co, has on behalf of Messrs the Karnataka Vegetable Oils and Refineries Ltd, Hospet, applied under the Madras State Aid to Industries Act for a loan of Rs. 6,00,000/-. I enclose a copy of the application together with a copy of the note prepared thereon for the use of the Board of Industries.

PP 9-18 below & PP 5-7 below

The application was placed before the Board of Industries at its meeting held on the 4th and 5th January 1949 when the Board Resolved to recommend REJECTION of the application.

A on P 3 below

An extract of the proceedings of the meeting is also enclosed. P 3 below

V. Sattanathayyan
for Director of Industries & Commerce.

S.B/18-1

P.S. 1/1

Application from Messrs. the Karnataka Vegetable Oils and Refineries Ltd.,Hospet, for a loan of Rs.6 lakhs repayable in fifteen years.

The Board felt that it was rather curious that the applicants should be applying for a loan of Rs.6,00,000/- when according to their own statements their capital requirements were only 13.88 lakhs fixed and Rs.3.00 lakhs working as against which they had collected Rs.10.80 lakhs share capital and Rs.4.00 lakhs debentures The applicants representatives when interviewed explained that the debenture loan was repayable in four years and bore interest at 5½% tax-free which was equivalent to 7% taxable interest as against only 5% interest charged on loans granted by Government under the Madras State Aid to Industries Act. The Board however, felt that the reasons given by the applicants were insufficient. The applicants could cut down expenditure by leaving out staff quarters and soap and tin plant for the present. In any case the Directors of the applicant's company were sufficiently well off to provide the necessary funds without much difficulty. The Board therefore resolved to recommend rejection of the application.

A note on the Application of the Karnataka Vegetable Oils & Refineries Ltd, Hospet, for a loan of Rs. 6,00,000 under the Madras State Aid to Industries Act.

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The Karnataka Vegetable Oils and Refineries Ltd, is a public joint stock company registered under the Indian Companies Act 1913, with an authorised capital of Rs. 20 lakhs. The company has been formed with the main object of producting and refining vegetable oils, manufacturing vanaspati and producing bye-products, such as soap, etc. The company is managed by M/s. Ullagadde & Co, Hospet, under the guidance of a Board of Directors which consists of the following persons:-

1. Sri Rao Bahadur Y. Mahabaleshwarappa, Merchant, Bellary.
2. Sri Rao Saheb Murari Venkateswamy, Chairman, Municipal Council, Hospet.
3. Sri Nimbagal Chennaveeriah, Merchant, Hospet.
4. Sri Pathikonda Subramanya Setty, Landlord & Merchant, Hospet.
5. Sri Vasappa Ellur, Banker & Oil-seed Merchant, Mundrigi (Bombay Presidency).
6. Sri Thotappa Badigannavara, Merchant, Gadag (Bombay Presidency)
7. Sri S.A. Agadi, Merchant, Kopbal, Nizam's state.
8. Sri Javali Mahantappa, Landlord & Merchant, Hospet.
9. Dr. R. Nagana Gowd, Msc, Ph.D. Hospet, President, District Board, Bellary.

The Managing Agents are paid an office allowance of Rs. 500/- per mensem and are also entitled to receive a commission of 10% on the annual nett profits of the Company, from and after such year the profits are declared 5½% or more of the total paid up capital of the company. The remuneration of each Director is stated to be Rs. 15/- plus travelling allowance for every meeting of the Board of Directors attended.

The company was one of the seven selected by the Provincial Government for installing new vanaspati plants in the province and w was assigned a plant of capacity 10 tons of vanaspati per day. The issued, subscribed and paid-up capital of the company as reported in their application is as follows.

Issued capital	Rs.	15,00,000 -0-0
Subscribed "		11,17,200 -0-0
Paid up. "		10,80,272-8 -0

The company has issued in addition first mortgage debentures of value Rs. 4,00,000 which are reported to have been fully subscribed. The company estimates its total capital requirements as follows.

Non-recurring expenditure	Rs.	15,00,000
Recurring		1,00,000

The company expects to complete the factory and commence production by January 1949. The company has applied for the loan in order to enable it to complete the construction of the factory and commence production.

2. As required by section 8(2) of the Madras State Aid to Industries Act and as prescribed by the rules framed thereunder, notices inviting objections of the grant of aid to the applicants were published. No objections were ~~revd~~ recieved.

3. The Collector of Bellary reports that he knows personally directors Nos. 1, 2, 4 and 9 of list given above and that he can vouche for their reliability, integrity, established business reputation and financial stability. Directors 1 to 4 of the list are reported to be worth Rs. 3 to 5 lakhs each. Directors 5 to 7 of the list are also reported to be reputed businessman in their respective places.

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4. The security offered for the loan consists of the land, buildings and machinery and equipment of the factory.

(i) Land:- The lands totalling 18.40 acres in extent and located partly in Hagribommanahall village and partly in Chintalapalli village are stated to be not the property of the company but leased by it for 99 years.

(ii) Buildings: The Revenue Divisional Officer has reported the value of the buildings to be Rs. 2,80,725. The Executive Engineer has been asked to value the buildings and his report when received will be communicated to the Board members. The applicants themselves have however reported the value of the buildings to be Rs. 2,77,360-8-0. The company estimates the cost of additional buildings to be Rs. 1,33,000/-

(iii) Machinery: The value of the installed machinery is reported to be Rs. 2,38,990/4/4. The applicants have fully paid up for additional machinery worth Rs. 5,51,650-12-3 out of which machinery worth Rs. 5,14,908-12-3 is reported to have been received at site. The company estimates the cost of additional machinery to be Rs. 1,87,140/-

The total value of the assets offered as security is therefore as follows.

A. Buildings:

(i) Constructed	Rs. 2,77,360-8-9
(ii) To be constructed	1,33,000-0-0
Total	Rs. 4,10,360-8-9

B. Machinery.

(i) Paid for received at site & installed	Rs. 2,38,990-4-4
(ii) Paid for and received at site but yet to be installed	5,14,908-12-3
(iii) Paid for but yet to be received	36,742- 0-0
(iv) To be purchased	1,87,140-0-0
Total	9,77,781-0-7

Total Buildings and Machinery.	
(i) Value at site.	Rs. 10,31,259-8-4
(ii) Paid for but not at site	36,742-0-0
(iii) To be created & paid for	3,20,140-0-0
	Rs. 13,88,141-8-4

Since the company has issued first mortgage debentures of value Rs. 4 lakhs, the nett value of the security available is only Rs. 9,88,141-8-4. Allowing for possible depreciation in prices at the usual rate of 33 1/3% on present value, the maximum loan that can be granted on the above security is only Rs. 3.29 lakhs.

The applicants have a paid up capital of Rs. 10.80 lakhs and have besides issued debentures of value Rs. 4.00 lakhs which are reported to have been fully subscribed. The total funds available at the disposal of the applicants is therefore over Rs. 14.8 lakhs and their total capital requirements for block is estimated to be only Rs. 15 lakhs. They should be able to find the working capital of Rs. 1 lakh from the Directors themselves. Then therefore appears to be no real need for a loan.

5. The views of the Board of Industries are requested on the application.

APPLICATION FOR AID UNDER THE STATE AID TO INDUSTRIES ACT, 1922.
NO. V. OF 1923.

1. NAME OF APPLICANT AND HIS FULL ADDRESS.

The Karnatak Vegetable Oils and Refineries Ltd.
950 Main Bazaar, Hospet, Bellary district.

2. NATURE OF THE INDUSTRIAL CONCERN FOR WHICH AID IS SOUGHT.

(a) Production of 15 tons of Groundnut oil per day by means of expellers.
(b) Refining of 15 tons of oil per day.
(c) Hydrogenating of 10 tons of the above oil and preparing Vanaspati Ghee.
(d) Manufacturing of soap as a By product.

3. ADMINISTRATIVE TECHNICAL AND EXECUTIVE STAFF EXISTING OR TO BE APPOINTED WITH QUALIFICATIONS*THESE APPOINTMENTS ARE TO BE MADE.)

(a) i. General Manager: with wide business and administrative experience.
ii. Office Manager an arts Graduate with experience in business management and secretorial work.
iii. Accountant with experience in Joint Stock companies accounts.
iv. Six Assistants with secretorial and accounts experience.

v.6-8 Assistants with suitable qualifications

(b) Chief Engineer and Factory Manager, A Machanical Engineering Graduate with wide experience in Industrial concerns.

i. Three shift Engineers, Machincal Engineering graduates with experience.
ii. Chief Chemist: with an M.Sc., or a Dectorate Degree with experience in refinery and Hydrogenation or an Industrial Chemist or Oil and Soap Technologist.
iii. Assistant Chief Chemist: A first class Graduate in Chemistry with training and experience in oil technology.
iv. Two shift Chemists and 4 to 6 laboratory Assistants with suitable qualifications and or Experience.
v. A certified Boiler Attendent: A Supervisor with experience and a workshop superintendent.
Two more appointments in each of the above categories with proper diplomas and certificates with some assistants.

4. THE FACILITIES AVAILABLE FOR THE DEVELOPMENT OF THE INDUSTRY.

In the taluks of Hospet, Hadagalli, Kudligi and Harapanahalli of the Bellary District, there is vast groundnut growing area of 2,00,000 acres producing 50,000 tons of nuts every year. Our Factory is situated near the Hagaribommanahalli Railway station in the centre of this groundnut area. The electric power from the Mahatma Gandhi Hydro-Electric project from Jog to Ceded Districts is passing near our factory site. We are taking the electric power from the same for our factory to the tune of 400K.W. with the help of Madras Govt. The river Hagari is touching our factory site and we have got good arrangement for the supply of ample water from wells; and climate is excellent for the development of the Industry. Ours is the only Industry in this part of our backward and neglected district and sufficient labour is always available.

5. THE NATURE OF THE PROCESS TO BE EMPLOYED.

Most up to date, highly machinised and electrical modern processes will be employed for expelling, Refining and Hydrogenating oil. Messrs. Power Gas Corporation Ltd. Stockton-on-Tees, England have already supplied us the major portion of the Refinery and Hydrogenation. Messrs. Crompton Engineering Co., Madras are

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supplying us the electrical equipment. Some machineries, such as boilers, and expellers have been obtained from Messrs.Marshalls Volkarts" Etc.,

6. DETAILS OF PLANT AND MACHINERY INSTALLED OR PROPOSED TO BE INSTALLED AT THE WORKS.

(a) Already installed:

i. Expeller House.

Punjab Expellers	4 nos.
Anderson Expellers	4 nos.
Decorticators.	1 no.
Screw Conveyors	1 no.
Cleaning machine	1 no.
Elevator	1 no.
Dupliex feed pump (Worthington Sympson Ltd.)	1 no.
Feed water cylinderical tank	1 no.
Filter press.	1 no.
Oil Pump for above	1 no.
Oil pump for filtered oil	- 1 no.
Disintigrator for breaking oil cake	1 no.

ii. Boiler House.

Lancashier Boiler 24' x 6' x 6' of 125 lbs. working pressure.	1 no.
Steam Engine Tangye Patent Barmingham.	1 no.
Boiler feed pump	1 no.

iii. Workshop.

Kirloskar lathe 8'	1 no.
Kirloskar Hacksaw cutting machine	1 no.
Kirloskar Vertical Drilling machine	1 no.
Kirloskar Vertical Drilling machine	1 no.
Kirloskar tools grinding machine	1 no.
Welding plant. "United Electric Engineering".	1 no.

iv. TEMPORARY Decorticator shed.

Kirloskar Decorticator	1 no.
Cleaning machine	1 no.

v. Oil Engine shed.

Campbel engine single cylinder 30 h.p.	1 no.
Flour Mills with stone grinders.	1 no.

vi. Sundry and Miscellaneous.

Motor Mill	1 no.
Plat-form type weighing scale	1 no.
Water pumping set coupled with lister oil engine	1 no.
Over head tank "Braithwaits" 16'x12'x8' of 60' high of 9600 gallons	1 no.

vii. Electrical.

12 k.w.d.c.Generator with board etc. complete.	1 no.
6 k.w.d.c.Generator 'Crompton' Parkinson' 220 volts D.C. with board etc. complete.	1 no.

(b) To be Installed.

i. Machinical.

Boiler 'Marshalls	1 no.
Feed pump and chimney	1 no.
Spray pond and Fittings and pumps	1 set
Insolation materials	1 set
Engine for pump house 30 h.p. Ruston Diesel	1 no.
Duploix steam pump	1 no.
Raw oil tanks 16'x8'x8' "Garlick and Co. welded	2 nos.

ii. Power Gas Corporation V.G. Plant machineries complete with the following:--

Post new tralising plant.
Post bleaching plant.
Hydrogenation plant.
Hardening plant.
Refigeration, ghee mixing and filling plant.

iii. Electrical.

Transformer of 400 K.W. capasity with full switch board panel equipments complete.

iv. Sundry and Miscallaneous:

Shapping machine for workshop.
laboratory equipment.

7. THE TOTAL ESTIMATE COST OF THE UNDERTAKING AND THE PROBABLE TIME THAT WILL BE OCCUPIED IN ITS EXECUTION(DETAILS OF RECURRING AND NON RECURRING EXPENDITURE SHOULD BE FURNISHED SEPARATELY.

(1) Non Recurring: - Rupees fifteen lakhs seven more months.

(2) Recurring: Rupees one lakh.

8. APPROXIMATE NUMBER OF OPERATIVES EMPLOYED OR TO BE EMPLOYED.

Employed 25.
To be employed - 75 more.

9. ESTIMATED NET EXPENDITURE PERANNUM IN RUNNING THE WORKS.

Rs. 21,52,500/-

10. ESTIMATED NET PROFITS ACCRUING.

Rs. 3,40,000/-

11. REASONS WHY THE BUSINESS CANNOT BE FINANCED WITHOUT STATE ASSISTANCE.

This is new industry hence capital is not coming as freely as it would for established Industries. Besides at present capital is very shy and money is not easily available.

12. NATURE AND EXTENT OF STATE AID APPLIED FOR(THE PARTICULARS) OF CLAUSE OF SECTION 6 UNDER WHICH THE AID IS APPLIED FOR SHOULD BE STATED.)

By granting loan of Rs. 6,00,000/-

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3. SECURITY OFFERED:

(a) Land — Free lease hold of 99 years.

Village	S.No.	Extent	Assessment.
Hagaribommanahalli	288 A.1	0-71	0--4--5
do,	288 A.3.	0-64	0--4--5
do.	289 A.1.	1-03	0--6--9
Chintalapalli	20 A.2.	9-15.	2--9--6
do.	20 C.	2-75	2--9--6
do.	23 A.	4-12-	1-12--0
	Total:	18-40 Acres.	

(b)i. All the existing buildings with compound wall: Rs. 2,00,636-15--2

Additions to be made 1,60,000--0--0

ii. Machineries installed as detailed in para 6 above. 7,06,783--6--8

Proposed additions to the above 2,75,000-00--0

iii. Store and spare gear 1,63,113--9--9

(c) Two lorries one car and water works etc. 32,604--0--0

(d) Soap and tin making plant. 2,00,000--0--0

Total: 7,38,137-15--7.

14. NATURE AND EXTENT OF THE APPLICANT'S RIGHT IN THE CONCERN WHETHER AS CO-SHARER, OR PROPRIETOR OR OTHERWISE AND HIS FINANCIAL RESOURCES.

It is a Joint Stock company and the entire concern is owned by it

15. NATURE AND EXTENT OF APPLICANTS RIGHT TO THE PROPERTY OFFERED AS SECURITY

Full proprietory right

16. NATURE AND EXTENT OF ENCUMBRANCES ON THE IMMOVABLE PROPERTY OFFERED AS SECURITY PRIMARY OR COLLATERAL.

First mortgage debentures of the value of Rs.4,00,000/- have been issued and fully subscribed.

17. WHETHER ARREARS ARE DUE ON THE IMMOVABLE PROPERTY OFFERED AS SECURITY PRIMARY OR COLLATERAL AND IF SO THE NATURE AND THE EXTENT OF SUCH ARREARS.

As we have contracted for some machineries by paying advance and we propose to purchase soap and tin making plants, we have to pay about Rs.4,00,000/- for all those machineries.

18. PERIOD WITHIN AND THE NUMBER OF INSTALMENTS IN WHICH THE APPLICANT PROPOSES TO REPAY THE LOAN.

(1) 15 years from the date of receipt of the loan amount.

(2). Repayment by 10 equal annual instalments, First instalment commence after five years from the receipt of the loan amount.

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19. APPROXIMATE ADDITIONAL NET INCOME EXPECTED TO BE EARNED AS RESULT OF THE PROPOSED EXPENDITURE.

To earn the net income stated in para 10, this loan is necessary.

20. IF THE APPLICATION IS FROM A JOINT STOCK COMPANY THE AMOUNT OF CAPITAL ACTUALLY SUBSCRIBED AND PAID AND THE NUMBER OF SHARES HELD BY EACH OF THE DIRECTOR AND THEIR SALARY AND FEES AND OTHER REQUISITES SHOULD BE STATED.

Subscribed capital Rs. 11,17,200-0-0
Paid up capital. 10,80,272-8-0
Six Directors hold shares of the value of
Rs.10,010/- each fully paid and three
exofficio Directors Rs. 25,000/-
Rs. 18,000/-
Rs. 1-,000/- all fully paid.
No salary is paid to any Director except a sitting fee of Rs. 15/- and travelling allowances to attend the meeting of the Board.

We enclose a copy of the Memorandum and Articles of the company with the copy of the latest balance sheet.

21. ANY OTHER REMARKS.

This is one of the seven companies sponsored by the Government, in this Province with the consent of the Food Department of the Central Government. It is earnestly requested to render full assistance in the initial stages to tide over the financial difficulties confronted with.

DECLARATION.

I, J.Channabasappa partner of the Managing Agents Messrs. Ullagaddi and Co., declare that the statement made above are true to the best of my information and belief

Sd. - - - - - - - - d/28-5-48.

kap. 29-11. - - - - -

Development Dept.

Sub: Acts and Rules - State Aid to Industries Act - Application from Messrs The Karnataka Vegetable oils and Refineries Limited, Hospet, for a loan of Rs.6,00,000/- - Rejected.

Read the following:--

From the D.I. & C. No. S.A.7576/48 dated 17-1-1949.

G.O. MS. NO. 328 Dated 26-1-1949

The Board of Industries having declined to recommend the application from Messrs. The Karnataka Vegetable oils and Refineries Ltd., Hospet for state aid, the application is rejected under Section 8(5) of the Madras State Aid to Industries Act of 1922 (Madras Act V of 1923).

To the D.I.&C.